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Reciprocity with Canada:
address of Hon. Philander C.
Knox before the Chicago Asso-
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OF

HON. PHILANDER C. KNOX

BEFORE THE

CHICAGO ASSOCIATION OF COMMERCE

AT

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RECIPROCITY WITH CANADA.

Trade between the United States and the British Provinces was, up to 1845, burdened with a system of differential duties which discriminated against foreign importations into Canada in favor of the British. In 1845 the British Government authorized the Canadian legislature to regulate its own tariff. Canada, now autonomous as to tariffs, generously and almost at once removed the existing differential duties and admitted American goods on the same terms as those imported from Great Britain. This change gave a great impetus to importations from the United States.

Commercial restrictions and discriminations again disturbing the natural course of trade between the United States and the British North American Provinces, a proposition for their reciprocal relaxation was

presented in 1849 by Great Britain. The President's message of 1850, transmitting the correspondence, submitted to Congress the question of the expediency of free trade between the countries, and subsequent messages of 1851-1853 contained similar recommendations. It was decided at first to proceed by means of concurrent legislation, and various reciprocity measures were introduced in Congress, but failed of enactment. The question was complicated by the situation in regard to the northeast fisheries, arising from difference in interpretation of the convention of 1818, and both countries became convinced that the questions could at that time be settled only by means of a treaty.

Accordingly Lord Elgin, Governor General of Canada, accompanied by the Canadian Prime Minister and a staff of assistants, came to Washington in May, 1854, to negotiate a treaty, and in a short time and in spite of

much opposition the treaty of 1854 was concluded providing for the free exchange of natural products. This treaty was promptly ratified and an act was passed to carry it into effect.

Under the treaty of 1854 trade between the United States and Canada increased more than twice as much in one year as it had in three years without the treaty.

The abrogation of this treaty in 1866 appears to have been due partly to dissatisfaction felt by certain interests which, pressed by Canadian competition, were forced to reduce prices to the consumer, but mainly to political influences. During the Civil War the attitude of Great Britain created an unfavorable disposition toward all our relations with Canada, and the treaty is said to have fallen a victim "to the anger which the behavior of a party in England had excited in America."

Almost at once Canada made efforts to negotiate a new reciprocity treaty. A delegation, which included the Canadian Minister of Finance, the Postmaster General of Canada, the Attorney General of New Brunswick, and the Attorney General of Nova Scotia, came to Washington for that purpose in January, 1866. Proposals were transmitted to the Ways and Means Committee of Congress through the Secretary of the Treasury and counter proposals were submitted to the delegates, but the terms offered were unsatisfactory, and the negotiation was unsuccessful.

The next step taken by Canada was a formal inquiry by the British Minister, Sir Frederick W. A. Bruce, as to the disposition of the United States with reference to the question of renewing the reciprocity treaty. His note referred to the satisfaction of the British Government at the increase of the

trading relations between the United States and Canada which had grown up under the treaty, and stated that "Her Majesty's Government would be well content to renew the treaty in its present form," but were ready to consider its modification, if such a course were agreeable to the United States, so as to render it, if possible, more beneficial to both countries than it had been. The Secretary of State, Mr. Seward, replied that Congress at that time preferred to treat the subject directly rather than to approach it through the forms of diplomatic agreement, and that the question of extending a system of reciprocal trade with the British Provinces depended upon the decision of Congress.

Since those days various other attempts have been made to reestablish some kind of free commercial intercourse with Canada. In July, 1869, Sir John Rose, then Canadian Minister of Finance, made a journey to Wash-

ington in order to negotiate a new treaty. There seems to exist no documentary evidence regarding the visit, but it is said by some that complete reciprocity was offered by the Canadian Minister to President Grant's Administration. Again, in 1873, Mr. George Brown, acting as plenipotentiary for Great Britain, in conjunction with Sir Edward Thornton, then British Minister at Washington, drafted a treaty which was sent to the Senate by the President but was rejected.

Following the reciprocity debates in Congress in connection with the McKinley tariff, the Colonial Secretary of Newfoundland came to Washington in October, 1890, to confer with the Secretary of State (Mr. Blaine) concerning mutual trade concessions. The British Minister proposed a general discussion of all outstanding questions, taking the old reciprocity treaty of 1854 as a basis

for negotiation, and the conference took place in February, 1892. Mr. Blaine took the attitude, however, that our policy involved the application of reciprocity to manufactured as well as natural products, and claimed that advantages like those of such a reciprocity agreement should be extended only to the United States as against all other competitors in the Canadian markets. This was unsatisfactory to the Canadian representatives of the time and the negotiations were again unsuccessful.

This brief outline brings, in a general way, the history of reciprocity in our trade relations with Canada down to the work of this Administration and shows the historical fact that for more than half a century the statesmen of Canada, of Great Britain, and of the United States have by repeated effort testified and reaffirmed an abiding and funda-

mental belief in the principle of American-Canadian reciprocity.

Under the terms of the Payne-Aldrich tariff bill, the maximum tariffs would automatically have become effective against Canada on April 1, 1910, unless prior to that time the President had been satisfied, and so proclaimed, that no undue discrimination existed in the Canadian tariffs against the United States.

For the purpose of securing such reduction of Canadian duties as would enable the President to give to Canadian products the benefits of the minimum rates under the Payne-Aldrich bill, representatives of this Government were sent to Ottawa to negotiate with representatives of the Canadian Government. In the course of the negotiations, President Taft and Mr. Fielding, the Canadian Minister of Finance, met at Albany, New York, and during their meeting the Pres-

ident indicated to Mr. Fielding a desire to go further than the adjustment of the pending question and to take up at a convenient time the discussion of the feasibility of an agreement for freer trade relations between the two countries. The President expressed the belief that the policy of broader and closer commercial relations with Canada would receive the hearty support of the American people. In a letter from the Secretary of State to Mr. Fielding, written after the conclusion of the agreement with respect to the minimum tariffs of the Payne-Aldrich bill, the Secretary was authorized by the President to state that---

"The agreement encourages the hope that the future trade relations of the two countries will become even more intimate and expanded, and will be regulated in a spirit of cordial reciprocation and interdependence.

The common commerce now amounts to a vast sum, and its extraordinary growth is an index of the vast industry and commercial development among both peoples. It seems clear that this trade should be fostered, so that the markets of each may be open to the other on the most advantageous terms possible for the interchange of commodities, and that such interchange undoubtedly can be promoted by the two Governments without impairing their national economic policies."

Mr. Fielding replied that the Canadian Government very heartily reciprocated the expression as to the desirability of improving the commercial relations between the United States and Canada, and expressed his willingness to take the question up with the representatives of the United States at a convenient time.

In November, 1910, the late the Honorable Henry M. Hoyt, Counselor of the Department of State, and Mr. Charles M. Pepper, Trade Expert of the Bureau of Trade Relations of the Department of State, were sent to Canada as Commissioners to discuss tentatively with the representatives of the Canadian Government the bases of a reciprocal trade agreement. These negotiations were adjourned to Washington, where the Honorable W. S. Fielding, Minister of Finance, and the Honorable William Paterson, Minister of Customs, representing the Dominion of Canada, met the representatives of this Government early in January of this year. The result is now before the American people and their Congress and before the people and Parliament of the Dominion of Canada.

The history of the trade relations between the United States and Canada which

I have briefly sketched abundantly shows that the difficulties confronting the negotiators were not alone those which inhered in the nature of the arrangement desired, but were augmented by the necessity to establish a basis and work out an understanding likely to be accepted, notwithstanding the unfortunate failures of the past.

The abolition of the reciprocity treaty of 1854 by the United States marked a historic step backward in the trade relations of the two countries.

The subsequent efforts on both sides of the line to promote reciprocal trade, the Canadian pilgrimages to Washington, the cold reception given the eminent Canadians who made those pilgrimages, the appeal to imperial and political sentiment by their opponents at home, are all chapters of relevant history which demanded consideration.

Our task was, despite all this, to submit to

the people of the United States and to the people of Canada an opportunity to cement the commercial links which it is decreed shall unite us. The agreement submitted to Congress by the President is the result. It is comprehensive in principle and avoids the objection which was one cause of the abrogation of the Elgin-Marcy Treaty---that is, it is not limited to one class of commodities. It is meant for the conditions of to-day and the conditions of the future.

The aim and purpose of the agreement which has been negotiated is to promote better trade relations and to cement and strengthen friendly intercourse between neighboring nations.

The scope of the agreement is broad in principle and comprehensive in detail. Recognizing the condition which exists in our own country and without undertaking to define the causes which have led to the

increased cost of living, it seeks to give our millions of wage-earning consumers the benefit of drawing upon the surplus food supplies nearest at hand. It seeks, by providing for the freest possible interchange of commodities across a political boundary which when it comes to production and commerce is an artificial boundary, to prevent those manipulations and those speculative fluctuations in prices which are harmful both to the producer and to the consumer. It may be stated as an axiom that the more abundant the source of supply and the more free the movement of products the less chance there is of decreasing the legitimate profits of the producer and of increasing the cost to the consumer by artificial scarcity.

It is evident that contiguous countries occupying the relation of the United States and Canada, in the interest alike of producers and consumers, should first provide for the

freest possible interchange of products of widespread consumption by the masses and also articles of animal consumption. This naturally includes wheat and the other cereals, live food animals, fish, fruits, dairy products, and vegetables. All this is done in the reciprocity agreement.

Next, with the purpose of cheapening food supplies it follows that the raw products having been made free, secondary food products should have the duties materially lowered. This also is provided for in the agreement, since heavy reductions are made in the duties on flour, meats of all kinds, canned meats and vegetables, various cereal preparations, and that large class of articles of common consumption which usually are designated as foodstuffs partially manufactured.

While a reciprocity agreement limited to natural products would be beneficial, nevertheless in order that such an agreement should

be really comprehensive the terms should include manufactured commodities also. This, too, is done. Rates are mutually reduced on a large variety of manufactures. The list would have been even larger had the Dominion reached the stage of industrial development in which she felt that she could include a greater number of articles. On our part we have had in mind that while providing for the freest possible interchange of natural products we should have special regard for our great class of agricultural producers. It happens that in the sections where there are the greatest productive resources of the cereals nature has not provided forests. So we have made rough lumber free and have given the prairie States the boon which they have so long desired. Having in mind the interest of the farmer we have also made free barbed and galvanized wire fencing, and a number of iron and steel products which

our Canadian friends are now manufacturing. The interest of both consumers and producers are maintained in every part of the agreement.

In making a reciprocity arrangement it is proper and right that we should consider the market which our neighbor has to offer us as well as the market which we offer her. Thus, we provide that the agricultural classes of a great section of our country should have the benefit of the free admission of cotton-seed oil into Canada. We also obtain the exemption from duty of all fruits and vegetables and various other agricultural products of which some sections of the country as widely separated as California and Florida have a surplus at certain seasons, while we are not unmindful of the producers of the border States who at times have large quantities of surplus products which will be benefited by free entry into the Canadian market.

It was also just that we should give consideration to the legitimate expansion of our manufacturing industries. Some of the greatest of these industries, employing large numbers of workmen, for which the growing Canadian market offers opportunities, are located in the Middle West. We obtain very material reductions of duty on all classes of agricultural implements. We secured important concessions for the rapidly developing motor-vehicle industry. We obtain remissions of duty which will benefit numerous other industries; and thus it has happened that a genuinely reciprocal and mutually advantageous trade agreement was negotiated which fully met the broad principles laid down by the President.

That this agreement will benefit large numbers of people in all sections of our own country will be apparent the more its terms are examined and analyzed. Nor will any

class be injuriously affected by it. I know it has been said that in some sections the farmers will be hurt by the free admission which we offer to Canadian wheat and other cereals, but I am persuaded that the more the agreement is studied, the more the present economic conditions are analyzed, and the more the tendencies of trade in the present day are examined, the clearer it will be that the benefits are generally distributed and that no permanent injury to any producing class is to be apprehended. We must recognize the great increase in the value of the farm lands of the grain-producing sections of the country within the last few years. We have to take account of the difficulties of increasing the wheat acreage.

In providing for free wheat we also take into account the facilities which the United States possesses for handling a part of the surplus Canadian crop and thus preventing

the demoralization of prices which results through the dumping of large quantities upon the European markets, where the world's price is fixed. The free admission of grain from Canada thus meets the present situation and provides against future contingencies when the Canadian surplus becomes greater by placing the control in the hands of our own grain growers. They have no cause to fear a demoralizing influx under the conditions which will result from the reciprocity agreement.

The proposition with which we have dealt is economic; not political.

The United States recognizes with satisfaction that the Dominion of Canada is a permanent North American political unit and that her autonomy is secure.

A trenchant writer on Canadian politics has observed that "a bitter cry went up (in Canada) for annexation to the United States"

after the abrogation of the reciprocity treaty with the United States in 1866.

The United States appreciates the advantage to the common welfare of the continent that Canada contributes her own strength plus the strength of Great Britain.

It has been well said that "What American public opinion desires is that after a century of peace, vexed by tariffs, the two lands, Canada and the United States, shall mutually enjoy all the advantages of continental trade."

The principal complaints against the measure come from the politicians who have been endeavoring to persuade the farmer that his interest in the protective tariff is based on the tariffs on agricultural products rather than upon the general prosperity of the country, or they are heard from some local special interest.

It is significant how little is said about who got the best of the bargain. The gen-

eral observation is one of gratification that the arrangement is beneficial to both countries. The breadth and unselfish nature of the agreement has surprised and gladdened the friends of good relations between the countries and disconcerted those upon both sides of the line who expected a horse-trader's bargain.

The same year that saw the settlement of the last boundary dispute between Canada and the United States and the peaceful conclusion of the hundred-year-old fisheries dispute saw the opening of the reciprocity negotiations and the ratification of the Boundary Waters Treaty, which created what has been described as "A Miniature Hague Tribunal for the North American Continent, relieving England from anxiety and responsibility regarding intervention in affairs affecting one of the most important of her brood of nations."

Why should not this agreement be approved by the American Congress and the Canadian Parliament?

Its design is to free from artificial barriers to mutual helpfulness two peoples who enjoy the same climate and the same or complementary natural conditions of soil, waters, and products. They are of the same race in large part. The French population of Canada, while tenacious of its origins, has been molded and assimilated by environment to the prevailing types common to both sides of the line, and developed similarly out of the same conditions of pioneer life. Thus, the two peoples are and always have been most closely related geographically and racially. Pursuing the same course of development and fostering the same ideals, their social relations have become intimate and complex and inevitably have brought them together politically in the sense, but only in the sense, of possessing similar

laws and systems of government and the sympathies of like aims, although living under separate sovereignties. Along with the casual and temporary jealousies and misunderstandings which such close relations would also inevitably produce, there has been in the main a great and a growing feeling of understanding and cordiality, and the differences of the past have not been greater than those which, apart from the Civil War, have divided and even to-day tend to divide different sections of our own country. This natural result of neighborhood and good understanding rests also upon a community of interests in trade, similarity of occupations and products, and the natural exchanges thence proceeding in which the differences of natural resources and development are just sufficient to stimulate trade.

The American and Canadian peoples being situated within easy communication

wherever population gathers on both sides of the border, trade and collateral intercourse have grown to great proportions. There have been in the past, and there are now proceeding, great movements of population from one country to the other. In the East thousands of French Canadians come to the manufacturing districts of New England, and the youth and strength of the English and Scotch in Ontario have proverbially added to the population of the middle portions of our country. On the other hand, a reverse current is nowadays setting from our Northwest to the Canadian Northwest. Each of the peoples is entirely at home in the land of the other, and reciprocally enters upon familiar conditions of farming or mining or working in the various enterprises of modern business. Along the entire border, from Maine and Nova Scotia to Vancouver and Washington, these migrations proceed as con-

stantly and freely as those between two States.

Such processes going on now for more than two centuries have welded these two great branches of the Anglo-Saxon race into a substantially homogeneous people. There is not the slightest probability that this racial and moral union will involve any political change or annexation or absorption. It is an ethnological fact that political units of the English-speaking people never lose their autonomy. Like bees, they give off their swarms, who set up for themselves independently, but they do not make political combinations among themselves. Since the Revolution there has been almost undisturbed peace and amity between the two countries, and however governmental changes may have been bruited in the past, it is probably more true to-day than ever before that the weight of sentiment and opinion

both in Canada and the United States, while desiring closer relations in all other respects, is crystallized in a belief that the present political separation is desirable and will lead to the best development of each nation and to better and more satisfactory relations between them. Therefore, the wisdom and the benefits of commercial reciprocity, resting upon the deeper moral and racial reciprocities I have indicated, ought not to be obscured by the fear of relations too cordial and conceivably dangerous to the great Canadian loyalty to England.

In the higher atmosphere and broader aspects of the situation it is certain that if there should be any great world movement involving this continent Canada and the United States would, as a matter of course, act in the most perfect concert in defense of the common rights of a common blood and civilization.

Generous and equitable reciprocal trade relations between the United States and Canada are the natural, logical, and inevitable result of forces that began their operation when the North American Continent was first settled by Western Europeans. The period in the onward march of western civilization has now been reached when the development of the vast resources of Canada is necessary for the welfare of the race. The same impelling forces which under similar conditions drove the settlers of the Atlantic States across the Appalachian Range, thence later into the Mississippi Valley and across the Rocky Mountains, now cause the adoption of the same measures for the general welfare in the progress of a group of two great people whose homogeneity rests upon origin, propinquity, and interdependence and not upon political affiliations.

A generous measure of reciprocity be-

tween Canada and the United States is but a natural expression of their interdependence. Efforts to restrain, hamper, and interfere with its realization will be as futile and unprofitable as were the early ruinous trade wars between the States. The narrow statesmanship of that period was expressed in measures to hamper and restrict, if not to destroy, the commerce of neighboring States, but happily proved impotent to do more than temporarily delay the existing absolute commercial freedom which exist between our own States to the common benefit of them all.

John Fisk's illustration of a situation we aim to avoid sounds strange in the twentieth century. Speaking of the chaos following the Revolution and preceding the adoption of the Constitution, he says:

"The different States, with their different tariff and tonnage acts, began

to make commercial war upon one another. No sooner had the other three New England States virtually closed their ports to British shipping than Connecticut threw hers wide open, an act which she followed up by laying duties upon imports from Massachusetts. Pennsylvania discriminated against Delaware, and New Jersey, pillaged at once by both her greater neighbors, was compared to a cask tapped at both ends. The conduct of New York became especially selfish and blameworthy.

"A single instance, which occurred early in 1787, may serve as an illustration. The city of New York, with its population of 30,000 souls, had long been supplied with firewood from Connecticut and with butter and cheese, chickens, and garden vegeta-

bles from the thrifty farms of New Jersey. This trade, it was observed, carried thousands of dollars out of the city and into the pockets of the detested Yankees and despised Jersey-men. It was ruinous to domestic industry, said the men of New York. It must be stopped by those effective remedies of the Sangrado school of economic doctors, a navigation act and a protective tariff. Acts were accordingly passed obliging every Yankee sloop which came down through Hell Gate and every Jersey market boat which was rowed across from Paulus Hook to Cortlandt Street to pay entrance fees and obtain clearances at the customhouse, just as was done by ships from London or Hamburg; and not a cartload of Connecticut firewood could be delivered at the backdoor of

a country house in Beekman Street until it should have paid a heavy duty. Great and just was the wrath of the farmers and lumbermen. The New Jersey legislature made up its mind to retaliate. The city of New York had lately bought a small patch of ground on Sandy Hook and built a lighthouse there. This lighthouse was the one weak spot in the heel of Achilles where a hostile arrow could strike, and New Jersey gave vent to her indignation by laying a tax of \$1,800 a year on it. Connecticut was equally prompt. At a great meeting of business men held in New London, it was unanimously agreed to suspend all commercial intercourse with New York. Every merchant signed an agreement, under penalty of \$250 for the first offense, not to send any goods

whatever into the hated State for a period of twelve months. By such retaliatory measures, it was hoped that New York might be compelled to rescind her odious enactment. But such meetings and such resolves bore an ominous likeness to the meetings and resolves which in the years before 1775 had heralded a state of war; and but for the good work done by the federal convention another five years would scarcely have elapsed before shots would have been fired and seeds of perennial hatred sown on the shores that look toward Manhattan Island."

It is easy to discover the analogy between the folly of that situation and the stupidity of striving to arrest the natural evolution of a neighborly reciprocity between this whole country and the Dominion of Canada. The

progress of a century has developed conditions that make the different sections of North America as mutually dependent as were the States that fringed the Atlantic coast in 1787.

The argument against reciprocity with Canada now is just the same argument Governor Clinton used against reciprocity between New York and New Jersey; just the same argument that might have been and probably was advanced against extending the normal development of the resources of our territory across the continent. This argument is for a policy so economically and morally unsound that the thirteen original States, impelled by the desire to kill it root and branch, urged its baleful effects upon their peace and prosperity as the original reason for forming the more perfect union of the States which now exists under the Constitution they adopted.

So that the reasons for reciprocity are very real and striking, and ought to lift the consideration of the result of the recent negotiations to a high plane and large-minded comprehension of the greater reasons and motives of human and national relations and rise above the mere balancing of trade advantages.





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